

Message Text

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ACTION EA-06

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 9596

C O N F I D E N T I A L MANILA 0228

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E.O. 11652: GDS

TAGS: ENRG, RP

SUBJECT: MOBILE OIL QUARREL WITH PNOC

REF: (A) MANILA 14925 (B) MANILA 0110

1. MOBILE OIL RES REP WALES CALLED ON ECON/COMMERCIAL COUNSELOR JAN 6 TO REVIEW STATUS OF COMPLAINTS AGAINST PNOC. WALES SAID HE WAS UNDER HOME OFFICE INSTRUCTIONS TO SEEK EMBASSY ASSISTANCE IN BRINGING PROBLEM TO ATTENTION OF GOP, AND THAT HIS FIRM DID NOT, REPEAT NOT INTEND TO PURSUE SHARE OPTION PROBLEM (REF A) IN COURT FOR TIME BEING. HE EXPECTED, HOWEVER, TO PURSUE ARBITRATION ON PNOC NOTICE OF INTENT TO CANCEL SERVICE AND TECHNICAL AGREEMENT (REF B) IN PHILIPPINE AND IN NEW YORK COURTS IF NECESSARY.

2. ECON/COMMERCIAL COUNSELOR INDICATED THAT AMBASSADOR AND HE HAD ALREADY RAISED ISSUES WITH EXECSEC MELCHOR, AND REVIEWED WITH WALES THE FEEDBACK FROM GOP. ECON/COMMERCIAL COUNSELOR RECALLED AS IN EARLIER DISCUSSION WITH WALES THAT OPTION APPEARED TO HAVE BEEN OBTAINED OVER SERIOUS GOP RESERVATIONS, AND THAT FORMULATION OF THE OPTION (PLACING ALL CRITICAL DETERMINATION IN PNOC) APPEARED DEFECTIVE. THAT ASIDE, HOWEVER, IT WAS SUGGESTED
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THAT GOP POSITION APPEARED TO HAVE HARDENED GREATLY FOLLOW-

ING WALES/WILSON CALL ON PRESIDENT MARCOS. THUS, ROOM FOR COMPROMISE SEEMED TO HAVE NARROWED.

3. OPTIONS FOR HANDLING BRC WHICH MELCHOR HAD REHEARSED FOR ECON/COMM COUNSELOR WERE DISCUSSED: (A) MOBILE EXERCISE OF OPTION TO MAKE FIRM 50-50; (B) PNOC ACQUISITION OF 3 PERCENT MORE TO MAKE FIRM 60 PERCENT FILIPINO; (C) PNOC PURCHASE OF ALL MOBILE SHARES; (D) MOBILE PURCHASE OF ALL PNOC SHARES. WALES SAID OF COURSE (A) WAS PREFERRED BUT THAT MOBILE HAD OFFERED TO BUY UP TO A 60 PERCENT SHARE, WHICH WAS REFUSED. HE SAID MOBILE HAD NO INTEREST IN BUYING ALL OF BRC UNLESS MARKETING ARM, I.E. REST OF PNOC INTEREST IN EXXON, WENT WITH DEAL. ECON/COMM COUNSELOR SUGGESTED THAT PROBABLY WAS A NON-STARTER, BUT IN ANY CASE GOP APPEARED BENT ON FRUSTRATING THE SHARE OPTION. GOP MIGHT BE INDUCED AT BEST TO SETTLE AT 60-40 FILIPINO MAJORITY, ALTHOUGH THAT WAS SPECULATIVE.

4. FOLLOWING FOREGOING TALK, MOBILE HAS SENT LETTER TO AMBASSADOR (TEXT AND ENCLOSURES POUCHED EA/PHL) SEEKING EMBASSY ASSISTANCE RESPECTING THE SHARE OPTION, BUT NOT SPECIFYING ANY PARTICULAR COURSE OF ACTION.

5. COMMENT. WE FEEL THAT MOBIL'S RECENT ACTIONS AND REPRESENTATIONS HAVE CERTAINLY NOT HELPED THEIR CAUSE IN MALACANANG AND MAY HAVE UNDERMINED PROSPECTS FOR AN AMICABLE SETTLEMENT UNLESS MOBILE CAN RE-ESTABLISH ITS CREDENTIALS AT THE PALACE. IN ANY EVENT WE BELIEVE THAT "NO COMPROMISE" POSTURE BEING TAKEN BY MOBILE CAN NOT PROSPER. SULLIVAN

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